

# 100 YEARS

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FINANCIAL

Prepared for another solid century.



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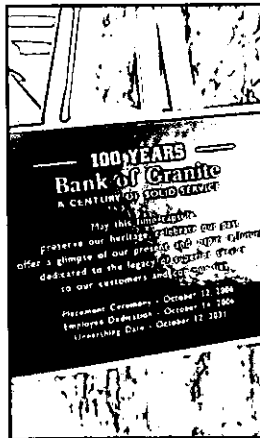
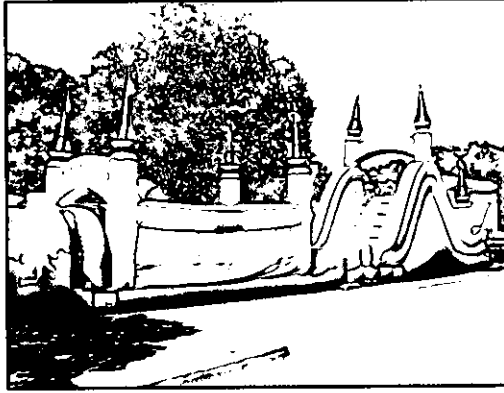
Bank of Granite  
CORPORATION

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# A Year of Celebrations

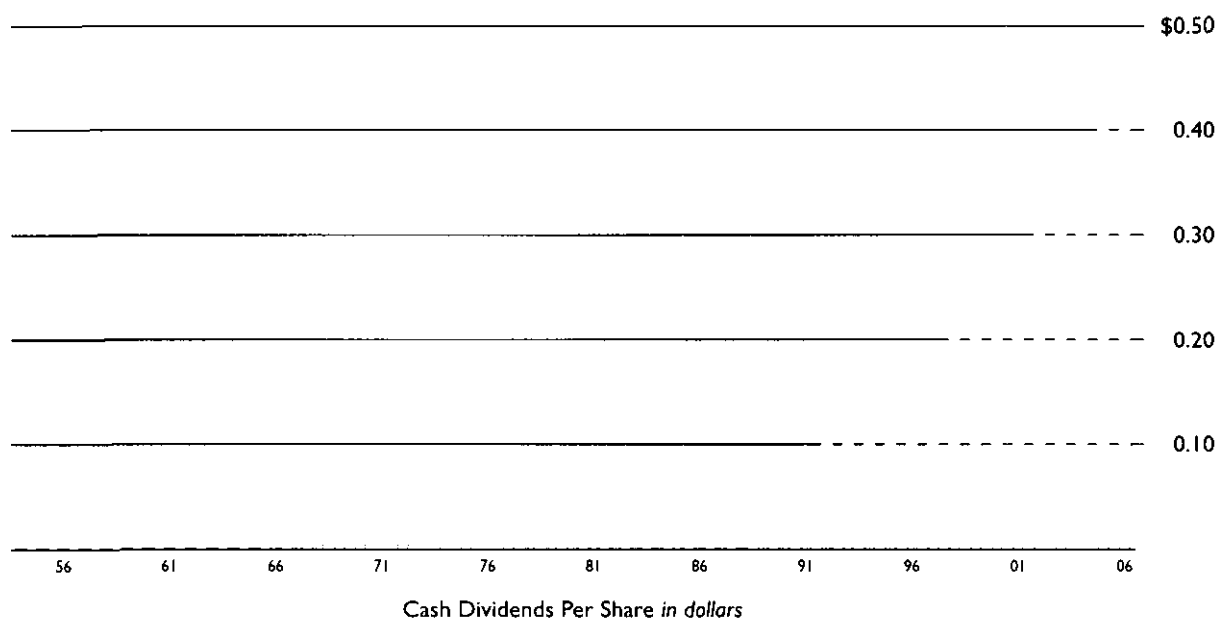


# Another Century of Solid Service

Bank of Granite 2006 Annual Report **PAGE No. 1**

Our 100th Anniversary year was marked by a series of celebrations of and for our employees, our customers, and our communities. In the course of revisiting our past, we affirmed our history of dedication to the idea of service first. We have consciously embraced the incredible technological advances of the past century without sacrificing the personal culture that is the hallmark of our success. Our people are recharged and ready for all of the challenges the next century may bring.

## 53 Consecutive Years of Increased Cash Dividends



*Amounts for periods prior to 2006 have been adjusted to reflect the 5-for-4 stock split distributed September 25, 2006.*

*Stock splits or stock dividends in these years: 1956, 1959, 1962, 1964, 1966, 1968, 1971, 1974, 1977, 1982, 1983, 1984, 1985, 1987, 1989, 1992, 1994, 1996, 1998, 2002, 2006.*

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# To Our Shareholders, Customers, and Friends...

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**Charles M. Snipes**  
Chairman & Chief  
Executive Officer

Two thousand six was truly a remarkable and very successful year for our company. Highlights included our 100th Anniversary, continued growth and expansion, the addition of some tremendously talented bankers to our team, and record earnings.

The year marked our 100th Anniversary, a milestone few companies achieve. Our yearlong celebration focused on our customers, employees, the communities we serve, and our rich heritage. On October 12th the "big party" was held on the square in Granite Falls with the placement of our time capsule that will be opened in 2031.

We continue to be so very proud of our people and their dedication to our company, customers, and communities. They are involved in civic, educational, and religious arenas and work hard to make their communities better places to live and work. Our bank family provides outstanding leadership for many nonprofit organizations throughout our markets. We are so fortunate to have such a great group of caring banking professionals.

In December, R. Scott Anderson was named president of our holding company and bank. Scott is a dynamic and very capable leader, and he will be a key player in our future success and growth.

Joseph D. Crocker joined our Board of Directors in September. Mr. Crocker, a prominent retired North Carolina banker and civic leader, brings great experience and financial expertise to our board. He is well known throughout our state and served on our Hickory Board a number of years ago. He is currently Director of Operations for the Z. Smith Reynolds Foundation in Winston-Salem.

Our bank locations continued to change and grow in 2006. We now have 22 full-service offices in eight counties that represent three metropolitan statistical areas (MSAs). Statesville, our newest office, is located in the growing Iredell County area and is headed by veteran bankers, Gayle Harris and Donna Harris, who have served in that market for many years.

In Morganton, long-time Burke County bankers Earl Searcy and David Deal joined our team. Their leadership is already producing substantial growth in this key market. We continue to look for expansion opportunities in growth markets and plan to open offices in several new locations this year.

Two of our offices moved into new state-of-the-art facilities. The Boone office moved into its permanent location in early 2006, and the Viewmont office moved into its new location in the fourth quarter.

In addition, we continued to make substantial investments in human resources and technology during the year. We believe that these investments will contribute greatly to future growth and earnings.

We are pleased to report record earnings for 2006! Net income increased by 20.1% to \$18.03 million compared to \$15.01 million in 2005. Total assets, deposits, and loans were at all-time highs at year end. Each of our offices achieved either deposit growth or improvement in market share or market rank as a result of our outstanding customer service and the hard work and dedication of our bankers.

October 1906

Group of Granite Falls citizens obtain charter to organize Bank of Granite

December 1906



Bank of Granite first opens its doors

1906 - 1954



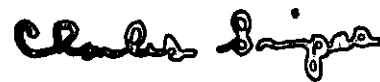
Many changes to downtown Granite Falls office including adding second floor, installing a drive-through window, and adding space to include the consumer loan department. By 1954 resources are \$1.2 million, five employees, one office

May 1954

Bank purchased and reorganized by group of Caldwell County citizens wanting to broaden potential for service

Our cash dividend per share increased 11.9% making 2006 the 53rd consecutive year of higher dividends for our shareholders. In August, we announced a 5-for-4 stock split that issued one share of common stock for every four shares held. We were also pleased with our stock performance. At the end of 2006, the price was \$18.97, an increase of 28% over the prior year.

As you examine this report, please refer to the financial charts and other important information about our company and our culture of service. We are excited about 2007, and we appreciate the support of our shareholders, customers, and friends. We welcome your ideas and suggestions and hope you will recommend our services to your family, friends, and neighbors.



Charles M. Snipes  
Chairman & Chief Executive Officer

### Five Year Performance Graph



Bank of Granite Corporation      SNL Bank Index □      NASDAQ Composite Total Return Index

*This performance graph compares cumulative total return on our stock over the most recent five-year period with the NASDAQ Composite Total Return Index and the SNL Bank Index. Returns are shown on a total return basis, which assume the reinvestment of dividends. All of the stock performance data was independently prepared by SNL Financial LC of Charlottesville, Virginia.*

May 1954



John Fortlines, Jr. joins bank as President and Chairman of the Board of Directors

February 1960



Lenoir office opens, beginning a new era of growth

September 1960

Hudson office opens

July 1969

Original Granite Falls office relocated to modern Main Street facility

# Setting the Standards for Service

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## Executive Team



### Teamwork

"Turnover just under 7.5% in a 20% world is a powerful indication of our employee loyalty. We share goals so every employee knows what we need to accomplish. We will continue to reward performance, to educate, and to enrich. A 15% profit sharing is proof of reward and of teamwork."

Karen Warlick  
Director of Human Resources

### Technology

"The upgrade of our check processing system positioned us for a number of innovations slated for '07...among them electronic presentation of checks for payment drawn on other banks and cashed or deposited at Bank of Granite. Our guidelines for technology investments: customer convenience and profitability for our bank."

Mark Stephens  
Chief Information Officer

### Service

"Certainly we have products that our customers need and ask for but, in the end, it's about our people. It's the way we deliver that drives our stock. People who like what they do and are proud of the way they do it are our power. We nurture the culture of service."

Scott Anderson  
Chief Operating Officer

## Executive Team Members



From left to right: Mark Stephens, Senior Vice President & Chief Information Officer; Kirby Tyndall, Executive Vice President & Chief Financial Officer; Corky Upchurch, Senior Vice President & Office Administrator; Charles Snipes, Chairman & Chief Executive Officer; Scott Anderson, President & Chief Operating Officer; Karen Warlick, Senior Vice President & Director of Human Resources; Gary Lackey, Granite Mortgage President & Chief Executive Officer; John Gabriel, Senior Vice President & Chief Credit Officer

July 1970

Downtown Hickory office opens marking expansion into Catawba County

May 1979

Office opens in the Whitnel community of Lenoir

1979



Hickory office moves into permanent location across from Union Square downtown

September 1982



Charles Snipes joins Bank of Granite as Executive Vice President and Chief Administrative Officer

# The Year at a Glance

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## Financial Highlights



	2006		2005	% change	
<b>Earnings</b>					
Interest income	\$	86,541,783	\$	68,159,074	27.0%
Interest expense		31,778,230		20,173,144	57.5%
Net interest income		54,763,553		47,985,930	14.1%
Provision for loan losses		6,413,509		5,193,902	23.5%
Other income		12,507,115		11,911,287	5.0%
Other expenses		32,945,231		31,815,235	3.6%
Income before income taxes		27,911,928		22,888,080	21.9%
Income taxes		9,879,899		7,878,536	25.4%
Net income	\$	18,032,029	\$	15,009,544	20.1%
<b>Per share</b>					
Net income					
- Basic*	\$	1.12	\$	0.91	23.1%
- Diluted*		1.12		0.91	23.1%
Dividends*		0.48		0.42	14.3%
Book value*		9.27		8.66	7.0%
<b>Average shares outstanding</b>					
- Basic*		16,048,439		16,413,742	-2.2%
- Diluted*		16,104,018		16,469,047	-2.2%
<b>At year-end</b>					
Assets	\$	1,199,772,473	\$	1,106,724,022	8.4%
Deposits		963,836,692		879,111,425	9.6%
Loans (gross)		912,491,736		832,447,148	9.6%
Allowance for loan losses		15,787,114		13,923,884	13.4%
Stockholders' equity		146,433,504		139,847,991	4.7%
<b>Ratios</b>					
Return on average assets		1.56%		1.41%	
Return on average equity		12.57%		10.70%	
Average equity to average assets		12.42%		13.14%	
Efficiency ratio		48.26%		52.12%	

\* Amounts for periods prior to September 25, 2006 have been adjusted to reflect the 5-for-4 stock split distributed September 25, 2006.

## Market and Dividend Summary



2006	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Price Range</b>				
High*	\$ 16.60	\$ 16.66	\$ 18.10	\$ 19.69
Low*	14.62	15.09	15.21	16.99
Close*	16.22	16.66	17.53	18.97
Dividends*	0.11	0.11	0.13	0.13
<b>2005</b>	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<b>Price Range</b>				
High*	\$ 16.82	\$ 15.70	\$ 17.45	\$ 16.82
Low*	14.16	13.28	14.42	14.01
Close*	14.79	15.31	15.23	14.82
Dividends*	0.10	0.10	0.10	0.11

\* Amounts for periods prior to September 25, 2006 have been adjusted to reflect the 5-for-4 stock split distributed September 25, 2006.

# Board of Directors and Corporation Officers

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**Charles M. Snipes**



**John N. Bray**



**Joseph D. Crocker**



**Le N. Erwin**



**Paul M. Fleetwood, III**



**Hugh R. Gaither**



**James Y. Preston**



**Boyd C. Wilson, Jr., CPA**

## Board of Directors

**Charles M. Snipes**  
Chairman & Chief  
Executive Officer;  
Bank of Granite Corporation  
Bank of Granite

**John N. Bray**  
Vice Chairman,  
Bank of Granite Corporation  
Bank of Granite;  
Chairman &  
Chief Executive Officer,  
Vanguard Furniture Co., Inc.

**Joseph D. Crocker**  
Director of Operations,  
Z. Smith Reynolds  
Foundation

**Le N. Erwin**  
Owner,  
More Lace Gift Shop;  
President,  
Morris Investment Company

**Paul M. Fleetwood, III**  
President, Corporate  
Management Services, Inc.;  
Treasurer, Catawba Valley  
Building Supply, Inc.

**Hugh R. Gaither**  
President & Chief Executive  
Officer,  
Flagship Brands, LLC

**James Y. Preston**  
Of Counsel,  
Parker, Poe, Adams &  
Bernstein, LLP

**Boyd C. Wilson, Jr., CPA**  
Executive Vice President,  
Broyhill Investments, Inc.;  
Vice President & Chief  
Financial Officer, BMC  
Fund, Inc.

## Corporation Officers

**Charles M. Snipes**  
Chairman &  
Chief Executive Officer

**R. Scott Anderson**  
President

**Kirby A. Tyndall**  
Executive Vice President,  
Secretary, Treasurer &  
Chief Financial Officer

**Melodie R. Mathes**  
Assistant Secretary &  
Assistant Treasurer

September 1982

Resources \$62 million with  
five offices in two counties

February 1984



Newton office  
opens

October 1985

Springs Road office  
in Hickory opens

July 1987

Viewmont office in Hickory  
opens, the fourth Catawba  
County office



# Local Bankers. Local Decisions.

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## Bank Officers



**Charles M. Snipes**  
Chairman &  
Chief Executive Officer

**R. Scott Anderson**  
President &  
Chief Operating Officer

**Kirby A. Tyndall**  
Executive Vice President,  
Secretary, Treasurer &  
Chief Financial Officer

**Samuel M. Black**  
Senior Vice President &  
Regional Executive

**Terry N. Freeman**  
Senior Vice President &  
Regional Executive

**Gayle H. Harris**  
Senior Vice President &  
Regional Executive

**Earl B. Searcy, III**  
Senior Vice President &  
Regional Executive

**John S. Gabriel, Jr.**  
Senior Vice President &  
Chief Credit Officer

**D. Mark Stephens**  
Senior Vice President &  
Chief Information Officer

**W. C. (Corky) Upchurch**  
Senior Vice President &  
Office Administrator

**Karen B. Warlick**  
Senior Vice President &  
Director of Human Resources

**Bennie R. Anderson**  
Vice President

**T. Rahn Chase**  
Vice President

**Karen R. Clark-Caruso**  
Vice President & Public  
Relations/Marketing Director

**Joy B. Coffey**  
Vice President

**Boyd W. Coggins, Jr.**  
Vice President

**Matthew B. Daye**  
Vice President

**Kelly H. Farr**  
Vice President

**D. Adam Flippin**  
Vice President

**Robert E. Goodson**  
Vice President

**Cindy E. Hamrick**  
Vice President &  
SEC Reporting Officer

**Pam T. Harwell**  
Vice President

**Judy R. Hendrix**  
Vice President

**Mike L. Holland**  
Vice President

**Teresa F. Martin**  
Vice President

**Gerald A. McGuire**  
Vice President

**Donald D. McSwain**  
Vice President

**David J. Paul**  
Vice President & Controller

**Doug J. Phillips**  
Vice President

**M. Stan Reece**  
Vice President

**Kelly D. Stroud**  
Vice President

**Nancy L. Summey**  
Vice President &  
Compliance Officer

**Sheila R. Taylor**  
Vice President &  
Director of Training

**Derek B. Titus**  
Vice President

**Peter W. Whitener, Jr.**  
Vice President

**H. Bernie Whitmer**  
Vice President

**Janet H. Winkler**  
Vice President

**Teresa L. Andrews**  
Assistant Vice President

**Jon M. Blair**  
Assistant Vice President

**David L. Deal**  
Assistant Vice President

**Donna M. Harris**  
Assistant Vice President

**Angela R. Lovelace**  
Assistant Vice President

**Andrea J. McGowan**  
Assistant Vice President

**Cheryl M. Mrozek**  
Assistant Vice President

**Kathy E. Reagan**  
Assistant Vice President

**Brenda T. Warren**  
Assistant Vice President

**Adam M. Wingler**  
Assistant Vice President

**Beverly M. Fry**  
Banking Officer

**Rick H. Hallyburton**  
Banking Officer

**Aaron R. Hughes**  
Banking Officer

**Lee S. London**  
Financial Officer

**Vicki A. Lovett**  
Banking Officer

**Kelly C. Melton**  
Banking Officer

**Sherry E. Robertson**  
Banking Officer

**Samuel B. Stephenson**  
Banking Officer

**Karen C. Stroup**  
Banking Officer

**Carolyn A. Teague**  
Banking Officer

**Dana F. Watson**  
Banking Officer

**M. Randell Dula**  
Collections Officer

**G. Wayne Bass**  
Vice President & Chief  
Auditor

**John R. Williams**  
Senior Auditor

**Kris A. Siemer**  
Auditor

May 1987

Bank of Granite Corporation  
becomes a bank holding  
company

July 1989



Morganton office  
opens marking  
expansion into  
Burke County

November 1991

Hibriten office opens, the  
third Lenoir office and fifth  
in Caldwell County

January 1996

Another Hickory-area office  
opens in Long View

# Officers, Dedicated Service, and Expansion

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## Mortgage Officers and Directors



**Gary L. Lackey**  
President, Chief Executive  
Officer & Director

**Pat L. Beyersdorfer**  
Senior Vice President

**Lisa N. Clayton**  
Senior Vice President

**Ruth A. Hudspeth**  
Senior Vice President

**Ginger M. Nelson**  
Senior Vice President,  
Assistant Secretary &  
Assistant Treasurer

**Arthur S. Newton, III**  
Senior Vice President

**Ann C. Tucker**  
Senior Vice President

**Natalie J. Dillard**  
Vice President

**Tom L. Thuss**  
Vice President

**Carolyn K. Alley**  
Assistant Vice President

**Dixie L. Jones**  
Assistant Vice President

**Donna T. Newton**  
Assistant Vice President &  
Assistant Secretary

**Joe M. Perkins**  
Assistant Vice President

**Sonya B. Gregory**  
Assistant Secretary

**Charles M. Snipes**  
Chairman & Director

**Kirby A. Tyndall**  
Secretary, Treasurer &  
Director

## 30+ Years



Of Bank of Granite's more than 275 employees, 12 celebrated more than 30 years with Bank of Granite.

From left to right: Vickie Maltba, 30 years; Gwen Key, 32 years; Pamela Harwell, 34 years; Janet Winkler, 38 years; Carolyn Teague, 31 years; Ben Davis, 33 years; Sheila Taylor, 37 years; Cheryl Bowman, 38 years; Kathy Starnes, 33 years; Melodie Mathes, 41 years; Judy Hendrix, 37 years; and Beverly Fry, 35 years.

## New Offices and Renovations



The August opening of a lending office, followed in October by a full-service bank in downtown Statesville, marked the bank's first foray into Iredell County and closed the service gap between Catawba and Mecklenburg counties. Gayle Harris and Donna Harris are leading the development of the Iredell County market for the bank.

The new Boone office, under the leadership of Bennie Anderson and Joy Coffey, was dedicated in April. Extensive renovations were made to the Hickory Springs Road (circa 1985) and Newton (circa 1984) offices. A new Viewmont office was constructed just one block west of the original (circa 1987) which was demolished to make way for construction of a new Lowe's home improvement center.

April 1997

Office opens in Ingles grocery store in Baton community of Caldwell County

November 1997

Acquisition of mortgage specialists, GLL Associates, becomes Granite Mortgage, Inc.

March 1998

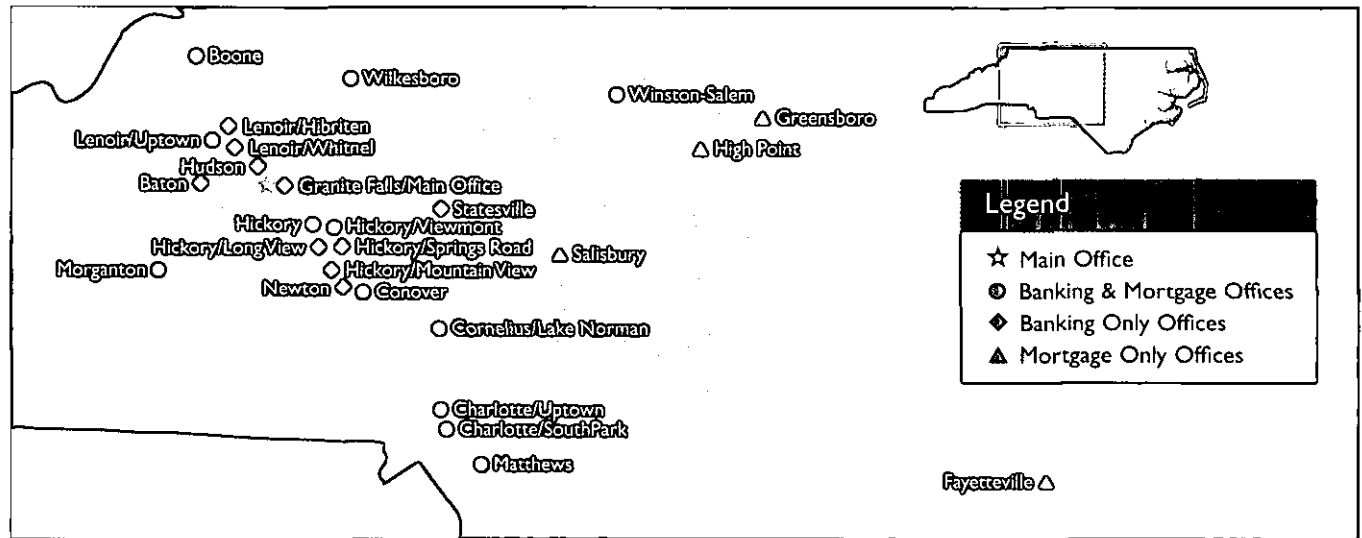


Mountain View office opens in southwest Hickory

May 1998

Vale office opens in Honey's Supermarket in southern Catawba County

## Bank of Granite Banking and Mortgage Offices

**Main Office**

- ☆ Granite Falls  
828.496.2000

**Burke County**

- Morganton  
828.439.2151 (Banking)  
828.439.2170 (Mortgage)

**Caldwell County**

- ◆ Baton  
828.728.1864
- ◆ Granite Falls  
828.496.2027
- ◆ Hudson  
828.728.1850
- Lenoir/Uptown  
828.757.4040 (Banking)  
828.757.4046 (Mortgage)
- ◆ Lenoir/Hibriten  
828.757.4070

- ◆ Lenoir/Whitnel  
828.757.4060

**Catawba County**

- Conover  
828.464.4536 (Banking)  
828.464.4587 (Mortgage)
- Hickory  
828.345.6800 (Banking)  
828.345.6850 (Mortgage)
- ◆ Hickory/Long View  
828.345.6848
- ◆ Hickory/Mountain View  
828.294.7000
- ◆ Hickory/Springs Road  
828.345.6888
- Hickory/Viewmont  
828.345.6868 (Banking)  
828.345.2280 (Mortgage)
- ◆ Newton  
828.466.5060

**Cumberland County**

- ▲ Fayetteville  
910.484.7272

**Forsyth County**

- Winston-Salem  
336.794.5300 (Banking)  
336.760.4911 (Mortgage)

**Guilford County**

- ▲ Greensboro/High Point  
336.878.5562

**Iredell**

- ◆ Statesville  
704.871.3363

**Mecklenburg County**

- Charlotte/Uptown  
704.945.6565 (Banking)  
704.945.6581 (Mortgage)

- Charlotte/SouthPark  
704.442.5900 (Banking)  
336.760.4911 (Mortgage)
- Cornelius/Lake Norman  
704.987.9990 (Banking)  
704.655.3106 (Mortgage)
- Matthews  
704.814.1200 (Banking)  
704.814.1201 (Mortgage)

**Rowan County**

- ▲ Salisbury  
704.633.8007

**Watauga County**

- Boone  
828.264.4016 (Banking)  
828.264.5387 (Mortgage)

**Wilkes County**

- Wilkesboro  
336.667.8684 (Banking)  
336.667.8175 (Mortgage)

2003

Vale office is sold

April 2003

Loan production offices open  
in Boone and Wilkesboro

July 2003

Corporation makes  
first bank acquisition  
and enters the  
Charlotte-area market  
with three offices: Uptown, SouthPark,  
and Lake Norman/Cornelius

August 2003

Boone and Wilkesboro become  
full-service banking offices

# Moving Up, Growing, Remembering

Bank of Granite 2006 Annual Report PAGE No. 10

## 2006 Promotions and Additions



**R. Scott Anderson**



**Jeffrey F. Clanton**



**Boyd W. Coggins, Jr.**



**M. Randell Dula**



**Pamela T. Harwell**



**Michael L. Holland**



**Lee S. London**



**Nancy L. Summey**



**Adam M. Wingler**



**David L. Deal**



**D. Adam Flippin, Jr.**



**Gayle W. Harris**



**Donna M. Harris**



**Aaron R. Hughes**



**Andrea J. McGowan**



**Earl B. Searcy, III**



**Brenda T. Warren**

**Promotions:** R. Scott Anderson, President of Bank of Granite Corporation and Bank of Granite; Jeffrey F. Clanton, Vice President; Boyd W. Coggins, Jr., Commercial Banking Sales Manager; M. Randell Dula, Collections Officer; Pamela T. Harwell, Vice President; Michael L. Holland, Assistant Vice President; Lee S. London, Financial Officer; Nancy L. Summey, Vice President; and Adam M. Wingler, Assistant Vice President

**Additions:** David L. Deal, Assistant Vice President; D. Adam Flippin, Jr., Vice President; Gayle W. Harris, Senior Vice President; Donna M. Harris, Assistant Vice President; Aaron R. Hughes, Banking Officer; Andrea J. McGowan, Assistant Vice President; Earl B. Searcy, III, Senior Vice President; and Brenda T. Warren, Assistant Vice President

## In Remembrance



**Flo Rogerson**

Bank of Granite's Lenoir office lost a beloved member of its family last year when Flo Rogerson passed away after a long battle with cancer. From leaving the Philippines to raising her son, Jay, Flo did it her way, always with others in mind, and with a big smile on her face. She had an infectious personality – upbeat, warm, energetic, enthusiastic, and caring. People were always happier after being around Flo. A role model for many, Flo epitomized the Bank of Granite culture of delivering high quality service and received the 1999 Distinguished Service Award - the Bank's highest recognition of superior service. She was an inspiration and is missed by her customers, her co-workers, and by everyone at Bank of Granite.

# A Legacy of Community Service

Bank of Granite 2006 Annual Report PAGE No. 11

## Community Involvement



Bank of Granite continues its 100-year tradition of helping the community and encouraging involvement among its employees. In 2006, they continued this legacy with involvement in many projects. Here are just a few:

- Education – Employees participated with education projects throughout the area including an ABA-sponsored national "Teach Children to Save" event in five counties, monthly "Bank Days" to promote savings for Baton Elementary students, and teaching management skills to students at William Lenoir Middle School through a five-month program
- Forever Young Social Dance for anyone over 50
- School Programs, Mentoring, and Tutoring – employees at most bank offices tutored and/or mentored, putting in hundreds of volunteer hours each year
- Conducted a bank-wide identity theft awareness campaign and offered customer document shredding days
- Participated in the *Directions* programs for displaced workers at CCC&TI
- Raised more than \$25,000 for March of Dimes
- Cornelius office employees participated in the "Don't Be a Victim" seminar along with the North Mecklenburg Senior Citizens Group to give tips on topics including personal safety awareness and identity theft
- Delivered meals to senior citizens through the Meals on Wheels program
- During the holidays, each office selected a holiday project within their community or neighborhood



Claudia Pitts, Cecilia Chiok, and Juan Ramirez

- Tellers Cecilia Chiok and Juan Ramirez and Customer Service and Sales Representative Claudia Pitts and other employees offered educational seminars for members of the Hispanic community on a variety of basic banking topics

## DSA Recipient



Cheryl Bowman

Cheryl Bowman, Loan Services Department Supervisor, received the 2006 Distinguished Service Award. Cheryl joined the bank in 1968 in the bookkeeping department. She moved to loan services in 1972 and has been there ever since. The Distinguished Service Award has been presented annually since 1964. A committee selects the recipient based on employee performance, team spirit, attendance, and community service.

November 2003

Matthews lending office opens

December 2003



Conover office opens

October 2004



Winston-Salem office opens

2004

Breaks ground for new permanent Boone and Wilkesboro offices

# Our Local Boards

Bank of Granite 2006 Annual Report PAGE No. 12

## Local Boards of Directors



### CHARLOTTE / MECKLENBURG

**Robert D. Culbertson\***  
President,  
The Morehead Group

**Samuel M. Black**  
Senior Vice President,  
Bank of Granite

**Dr. Ki-Hyun (Kenny) Chun,**  
**CPA**  
Chief Executive Officer,  
Chun Group, Inc.

**Teresa L. Hawkins**  
Engineer,  
Stewart Engineering

**James L. McCoy, Jr.**  
Executive Vice President,  
First Tryon Securities

**Penny J. Parks**  
President & Chief  
Executive Officer,  
Parks Consulting

**David M. Sidbury**  
President,  
David M. Sidbury, Inc.

**Betty B. Trautwein**  
Managing Director,  
Carolinas Resources  
Connection

**Howard E. Virkler**  
Chairman,  
The Virkler Company;  
President & Chief  
Executive Officer,  
American MyBeau

### GRANITE FALLS

**Rudy L. Snow\***  
Sales & Marketing,  
Menzies-Southern Hosiery

**Claudia D. Bujold**  
Civic & Community Leader

**Dr. T. Eugene Carpenter**  
Gardner Webb University

**Beverly M. Fry**  
Banking Officer,  
Bank of Granite

**Barry C. Hayes**  
Owner,  
Hayes & Co.

**Larry L. Huffman**  
Pharmacist & Owner,  
Granite Drug Center

**Michael M. Mackie**  
President,  
Mackie Furniture Co.

**Dr. Dan N. Stallings**  
Real Estate Development

**Linda K. Story**  
Town Manager,  
Granite Falls

**Mary Frances B. Sullivan**  
Civic & Community Leader

### HICKORY

**Frances R. Hilton\***  
Civic & Community Leader

**Iris K. Barrett**  
Founder & Owner,  
"The Word is My Life"

**J. Steven Brackett**  
Attorney

**Jeffery P. Bronnenberg**  
President & Chief  
Executive Officer,  
Jeflyn, Inc. & Four Oaks  
Capital Management

**Lee G. Brown**  
President,  
LB Enterprises, Inc.

**Forest M. Gaines**  
President,  
Gaines Motor Lines

**Kathryn T. Greathouse**  
Director, Partner,  
Greathouse Construction Co.

**James L. Houston, Jr.**  
Retired Senior Vice President,  
Wheat First Butcher Singer

**Dr. J. Ward Kurad**  
President,  
Legends Development, LLC

**Landon B. Lane, Jr.**  
Private Investor

**Steve M. Mull**  
Civic & Community Leader

**Jill J. Patton**  
President,  
Johnson Hosiery Mills, Inc.

**David H. Sain**  
Retired Area General  
Manager,  
Lowe's Companies, Inc.

**Kenneth R. Turnmyre**  
President,  
VESCO Industrial Trucks

**W. C. (Corky) Upchurch**  
Senior Vice President,  
Bank of Granite

**Rosemary Bass Young**  
President,  
Bass-Smith Funeral Home &  
Crematory

### HUDSON

**W. Barry Spicer\***  
Corporate Risk Manager,  
Hickory Springs  
Manufacturing

**Jimmy D. Hemphill**  
Retired Assistant to the  
President,  
Caldwell Community College

**Judy R. Hendrix**  
Vice President,  
Bank of Granite

**Carolyn A. Icard**  
Literacy Specialist,  
Burke County Schools

**William M. Lovelace, Jr.**  
Retired President,  
Hudson Drug Co.

**Dr. Paul Moss**  
Retired Physician

**Bryce H. Sherrill**  
Retired Vice President,  
Bank of Granite

**Tim R. Sigmon**  
Manager,  
Sigmon's Fashions, Inc.

**J. C. Sullivan**  
President,  
Bost Lumber Co.

**William (Bill) R. Warren**  
Owner,  
The Gold Mine

January 2005

Charles Snipes named  
Chief Executive Officer

April 2005

Matthews becomes the 21st  
full-service banking office

October 2005



Wilkesboro office moves to  
new permanent location

January 2006



John Forlines retires after  
52 years with the bank.  
Charles Snipes named  
Chairman of the Board

## Local Boards of Directors

**LENOIR**

**Margaret (Peg) Broyhill\***  
Branch Manager,  
First Vice President  
Investments,  
Wachovia Securities

**David W. Barlow**  
Owner/Broker,  
Barlow & Triplett Realty, Inc.

**T. Rahn Chase**  
Vice President,  
Bank of Granite

**Houston H. Groome, Jr.**  
Attorney,  
Groome, Tuttle, Pike & Blair

**Helen P. Hall, Ed.D.**  
Field Supervisor,  
Appalachian State  
University

**Leslie D. Hines, Jr.**  
Chairman,  
Nelson Oil Company

**Dr. F. Ted Holcher**  
Dentist

**William F. Howard, III**  
Vice President of Human  
Resources,  
Bernhardt Furniture  
Company

**Douglas W. Johnson**  
Chief Executive Officer,  
Blue Ridge Electric  
Membership Corporation

**Dr. Donald W. Lackey**  
Retired Veterinarian

**Scott R. Ross**  
Vice President & General  
Manager,  
Autumn House, Inc.

**Dr. Parker T. Williamson**  
Executive Editor of PLC  
Publications;  
Chief Executive Officer,  
Presbyterian Laymen's  
Committee

**MORGANTON**

**Dr. Alfred W. Hamer, Jr.\***  
Retired Obstetrician/  
Gynecologist

**John F. Black, Jr.**  
President,  
Black & Associates

**Reverend Dr. Thomas A.  
Bland, Jr.**  
Minister,  
First Baptist Church

**F. Keith Bowers**  
Co-Owner,  
Bowers Nationwide  
Insurance

**P. Spencer Cash**  
President,  
Mimosa Insurance, LLC

**Sharon S. Marlow**  
Owner & Managing Broker,  
Sharon Marlow Realty

**Robert T. McGimsey**  
Certified Public Accountant

**Reverend W. F. (Mac)  
McIntosh**  
Retired Educator, Burke  
County Public Schools

**Peggy M. Saunders**  
Attorney

**Earl B. Searcy, III**  
Senior Vice President,  
Bank of Granite

**NEWTON/CONOVER**

**Larry A. Bowman\***  
Civic & Community Leader

**George W. Clark**  
President & CEO,  
Catawba Sox, Inc.

**R. Gary Corne**  
Attorney,  
Corne, Corne & Grant

**Dr. J. Rick Davis**  
Principal Owner,  
Newton Vision Center

**C. Ralph Hinson**  
President,  
Tarason Labels

**Jerry T. Hodge**  
Sales Manager,  
GDS/Republic Services of NC

**Carolyn V. Isenhower**  
Civic & Community Leader

**Vicki A. Lovett**  
Banking Officer,  
Bank of Granite

**David B. Radke**  
President,  
InterContinental Corp.

**C. Leon Robinson**  
President,  
Robinson Builder's Mart

**H. Bernie Whitmer**  
Vice President,  
Bank of Granite

**WILKES COUNTY**

**Jack A. Underdown\***  
Appraiser and Realtor

**James W. Cook**  
President,  
Cooks Inc.

**Matthew B. Daye**  
Vice President,  
Bank of Granite

**Mike D. Miller**  
President,  
Miller Brothers Lumber

**Mark Pavlansky**  
President,  
Hibco Plastics

**Walter W. Stroud**  
President,  
American Specialty  
Window & Door

**Carron H. Suddreth**  
President,  
Care Concepts, Inc.

*\*Denotes Chairman*

February 2006

Boone office moves to  
new permanent location

March 2006

Bank assets reach \$1.1 billion,  
with more than 275 employees,  
21 offices in seven North  
Carolina counties

September 2006

Bank enters Iredell County  
market with a lending office in  
Statesville, marking its 22nd  
office and eighth county

October 2006



Bank celebrates  
100th Anniversary  
with Time Capsule  
placement ceremony  
and employee  
celebration

# Bank of Granite Corporation and Subsidiaries

Bank of Granite 2006 Annual Report PAGE No. 14

## Condensed Consolidated Balance Sheets December 31, 2006 and 2005



	2006		2005
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 49,981,255	\$	57,481,919
Investment securities, available for sale	134,312,576		112,319,269
Investment securities, held to maturity	35,253,592		41,363,437
Loans (net of allowances of \$15,787,114 in 2006 and \$13,923,884 in 2005)	896,704,622		818,523,264
Mortgage loans held for sale	11,796,899		14,219,444
Premises and equipment, net	13,426,075		14,805,876
Investment in bank owned life insurance	26,925,411		19,692,889
Intangible assets	11,044,083		11,129,997
Accrued interest receivable and other assets	20,327,960		17,187,927
Total assets	\$ 1,199,772,473	\$	1,106,724,022
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>			
Demand deposits	\$ 144,635,530	\$	147,576,746
NOW, money market and savings deposits	369,461,962		328,056,650
Time deposits	449,739,200		403,478,029
Total deposits	963,836,692		879,111,425
Overnight and other borrowings	74,839,651		77,412,646
Accrued interest payable and other liabilities	14,662,626		10,351,960
Total liabilities	1,053,338,969		966,876,031
Stockholders' equity	146,433,504		139,847,991
Total liabilities and stockholders' equity	\$ 1,199,772,473	\$	1,106,724,022

## Condensed Consolidated Statements of Income For the Years Ended December 31, 2006, 2005 and 2004

	2006		2005		2004
Interest income	\$ 86,541,783	\$	68,159,074	\$	55,265,889
Interest expense	31,778,230		20,173,144		13,107,985
Net interest income	54,763,553		47,985,930		42,157,904
Provision for loan losses	6,413,509		5,193,902		5,439,160
Net interest income after provision for loan losses	48,350,044		42,792,028		36,718,744
Other income	12,507,115		11,911,287		11,256,723
Other expenses	32,945,231		31,815,235		29,114,940
Income before income taxes	27,911,928		22,888,080		18,860,527
Income taxes	9,879,899		7,878,536		6,142,307
Net income	\$ 18,032,029	\$	15,009,544	\$	12,718,220
<b>Per share amounts:</b>					
Net income, basic*	\$ 1.12	\$	0.91	\$	0.76
Net income, diluted*	1.12		0.91		0.76
Dividends*	0.48		0.42		0.39
Book value*	9.27		8.66		8.47

\* Amounts for periods prior to September 25, 2006 have been adjusted to reflect the 5-for-4 stock split distributed September 25, 2006.



## Forward Looking Statements

The discussions presented in this annual report contain statements that could be deemed forward looking statements within the meaning of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. These statements are inherently subject to risks and uncertainties. Forward looking statements are statements that include projections, predictions, expectations, or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often characterized by the use of

qualifying words (and their derivatives) such as "expects," "anticipates," "believes," "estimates," "plans," "projects," or other statements concerning opinions or judgments of the Company and its management about future events. Factors that could influence the accuracy of such forward looking statements include, but are not limited to, the financial success or changing strategies of the Company's customers or vendors, actions of government regulators, the level of market interest rates, and general economic conditions.

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
Bank of Granite Corporation  
Granite Falls, North Carolina

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Bank of Granite Corporation and subsidiaries (the "Company") as of December 31, 2006, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended. We also have audited management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. Such consolidated financial statements, management's assessment of the effectiveness of the Company's internal control over financial reporting and our reports thereon dated March 9, 2007, expressing unqualified opinions (which are not included herein) are included in Item 8 of Form 10-K for the year ended December 31, 2006. The accompanying condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on

the 2006 condensed consolidated financial statements in relation to the 2006 complete consolidated financial statements. The consolidated financial statements of Bank of Granite Corporation and subsidiaries as of December 31, 2005 and for the two years then ended, before the effects of the adjustments to retrospectively reflect the 2006 5-for-4 stock split effected in the form of a stock dividend as disclosed in Notes 1 and 8 to the consolidated financial statements, were audited by other auditors whose report dated March 2, 2006 expressed an unqualified opinion on those statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2006 and the related condensed consolidated statement of income for the year then ended, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Dixon Hughes PLLC  
Charlotte, North Carolina  
March 9, 2007

October 2006

Statesville office becomes full-service

November 2006



Viewmont office opens in new location

December 2006



Scott Anderson named president of Bank of Granite Corporation and Bank of Granite

December 2006

Bank announces 53rd consecutive year of increased dividends to shareholders

## Shareholder Information

### COMMON STOCK

Bank of Granite Corporation's (the "Company's") common stock trades on The NASDAQ Global Select Market™ under the symbol GRAN. Price and volume information is contained in *The Wall Street Journal* and most major daily newspapers in the NASDAQ section.

### ANNUAL MEETING

The Annual Meeting of the shareholders of the Bank of Granite Corporation will be held at 10:30 am, Monday, April 23, 2007, at the Holiday Inn Select, 1385 Lenoir-Rhyne Boulevard Southeast, Hickory, North Carolina (located off Interstate 40 at Exit 125).

### EQUAL OPPORTUNITY EMPLOYER

The Company provides equal employment opportunity for all qualified and legal employees and applicants regardless of race, religion, color, sex, national origin, age, veteran status or disability (physical or mental impairment), to the extent that the Company is able to make reasonable accommodation to those with disabilities, in accordance with applicable federal laws. In addition, the Company complies with applicable State and local laws governing non-discrimination in employment in every facility. This policy applies to all terms and conditions of employment including, but not limited to, hiring, placement, promotion, termination, layoff, recall, transfer, leave of absence, compensation, benefits, and training.

### COPIES OF FORM 10-K

Copies of Bank of Granite Corporation's Annual Report to the Securities and Exchange Commission on Form 10-K may be obtained by shareholders at no charge from the Company's Internet site at [www.bankofgranite.com](http://www.bankofgranite.com) or by searching the "EDGAR" archives at the SEC's Internet site at [www.sec.gov](http://www.sec.gov) or by writing:

Kirby A. Tyndall, Secretary & Treasurer  
Bank of Granite Corporation  
Post Office Box 128  
Granite Falls, North Carolina 28630  
(email: [ktyndall@bankofgranite.com](mailto:ktyndall@bankofgranite.com))

### STOCK TRANSFER AGENT AND REGISTRAR

Registrar and Transfer Company, 10 Commerce Drive, Cranford, New Jersey 07016-3572, 908.497.2300 or 800.368.5948. For responses to Frequently Asked Questions ("FAQ's") about stock transfers, dividend payments and other issues, visit our Transfer Agent's web site at [www.rtc.com](http://www.rtc.com).

### DIVIDEND REINVESTMENT

Record holders (not held by broker) of 100 shares or more of Bank of Granite Corporation stock are eligible to participate in the Company's Dividend Reinvestment Plan, a convenient and economical way to purchase additional shares of Bank of Granite Corporation common stock. For an informational folder and authorization form or to receive additional information on this plan, contact Registrar and Transfer Company (see "STOCK TRANSFER AGENT AND REGISTRAR").

### SHAREHOLDER INFORMATION

For additional information, contact:  
Melodie R. Mathes, Shareholder Relations  
Bank of Granite Corporation  
Post Office Box 128  
Granite Falls, North Carolina 28630  
828.496.2022  
(email: [mmathes@bankofgranite.com](mailto:mmathes@bankofgranite.com))

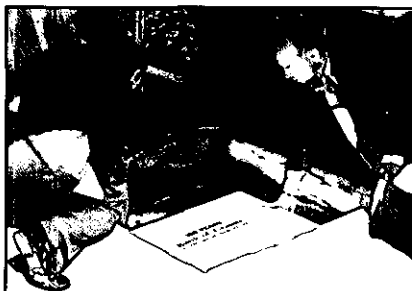
### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Dixon Hughes PLLC  
6525 Morrison Boulevard, Suite 516  
Charlotte, North Carolina 28211

### MARKET INFORMATION

Bank of Granite Corporation operates an independent community bank based in the Catawba Valley and a mortgage banking company based in the Triad, serving customers from the High Country of the Blue Ridge Mountains, throughout the Foothills, and into the Piedmont and the Charlotte Metro area.

# A Year of Celebrations





May this time capsule  
preserve our heritage, celebrate our past,  
offer a glimpse of our present, and inspire a future  
dedicated to the legacy of superior service  
to our customers and communities.

Placement Ceremony – October 12, 2006

Employee Dedication – October 14, 2006

Unearthing Date – October 12, 2031

END

Bank of Granite

C O R P O R A T I O N

[www.bankofgranite.com](http://www.bankofgranite.com)